

**Deloitte.**

**Tandridge**  
*District Council*



# **Tandridge District Council**

Report to the Audit & Scrutiny Committee on the 2021/22 audit

Issued on 03 April 2024 for the meeting on 11 April 2024

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# Audit progress report

## The key messages in this report

The purpose of this report is to update the Audit and Scrutiny Committee on the progress of our audit for financial year 2021/22 since we issued our draft ISA260 report on 30 Jan 2024. The scope of our audit is set out within our planning report presented to the Committee in June 2023.

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### Status as reported in our draft ISA260 letter issued on 30 Jan 2024

We outlined in our report dated 30 Jan 2024 that our audit had reached an advanced stage, surpassed the halfway point, and remained ongoing. Key outstanding were listed as follows:

- journals testing;
- debtors and creditors testing;
- income and expenditure testing;
- conclusion on property valuations;
- conclusion on the pension liability and assumptions;
- miscellaneous outstanding sample items and follow up queries;
- value for money;
- completion of internal quality assurance procedures;
- receipt of signed management representation letter; and
- our review of events since 31 March 2022 through to signing.

### Status update

As mentioned in the last report issued to Audit and Scrutiny Committee in Jan 2024, we were able to make small progress from 60% to 65% completion and covered few areas in January 2024 including receipt of draft reports from our valuation specialist, raising additional queries to the actuary and some managerial/director reviews performed on various areas. The progress since our last report is as follows:

**Property valuation** – The work on valuation is complete and reviewed, audit team currently addressing the review comments.

**Pension liability and assumptions** – Our specialist had asked few more queries since January, the response for which has been received. Based on the discussion with our specialist, they are finalizing their report at the time of issuance of this report.

**Completion of reviews** – Reviews on journals testing, debtors, creditors, income and other testing are now complete, audit team is working through the review comments.

**Value for money** – Value for money work is re-prioritized to be started in April upon completion of balance sheet and income/expenditure testing.

**Collection fund** – As the audit team has completed work on other areas, they have now revisited the collection fund. Initial queries have been sent to management, and discussions are currently underway to address any issues or concerns identified so far.

**Overall** – Our overall progress has moved to 80% from 65% as reported previously. Most of the review in respect of the execution is now complete and audit team has discussed review comments with management and currently working through those. We are working as swiftly as possible in collaboration with the finance team, as our progress is dependent on their timely responses to finalise queries following review.

Based on the completion of work and review completed so far, we have noted additional control findings and corrected and uncorrected misstatements which are included in the appendices. Moreover, we have booked the additional staff in April to conclude all areas and finalised statement of accounts.

# Appendices



# Your control environment and findings

## Control deficiencies and areas for management focus


*(Reported previously but updated in this report)*

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><b><u>Internal controls</u></b></p> <p>Under ISA, we are required to obtain the understanding of the relevant controls and perform design and implementation testing in respect of the significant risks, moreover, we are required to obtain understanding of the business process as part of our risk assessment. We noted that management could not provide the relevant evidence of control reviews having taken place in some instances including the following:</p> <ul style="list-style-type: none"> <li>• Review of revaluation reports</li> <li>• Review of capital projects prior to approval</li> <li>• Review of the revaluation adjustment journals</li> <li>• Review of transfers from assets under construction</li> <li>• Year-end review of investments</li> <li>• Year-end review of accruals listing and post year-end cutoff</li> <li>• Review of purchase orders</li> <li>• Year-end review of grants received</li> <li>• Review of payroll month-end reconciliation</li> <li>• Review of service organisations' periodic investment reports</li> <li>• Separate reviews of journals by an individual different from the preparer</li> <li>• Review of significant accounting estimates</li> <li>• Review of monthly control accounts reconciliation.</li> </ul> <p>Management explained that the reason they could not provide evidence of review controls having been completed in some instances was because staff had left the council.</p>	<p>2021 Medium Control activities</p> <p></p>	<p>We recommend that management should devise a protocol to ensure the evidence of review controls is retained, even if personnel changes occur.</p>	<p>Management agree that evidence of control reviews should be documented more thoroughly in future.</p>

# Your control environment and findings

## Control deficiencies and areas for management focus (continued)


(Reported previously in our report issued on 22<sup>nd</sup> of Nov 2023)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><b><u>Limitation of Finance team</u></b></p> <p>During the 2020/21 audit, we reported that the finance team have limited capacity and are under significant pressure much of the time. We have consistently observed that financial records do not appear to be of the detailed quality we would expect, and that management are having to invest considerable time seeking the information required for the audit. The turnover of staff has exacerbated this issue, however, had suitable records been retained, this should not have posed a significant challenge.</p> <p>We have noted that the persistence of this issue in this 2021/22 audit.</p>	<p>2021 High Control activities</p> 	<p>We recommend that management continue to review the resource requirements of the finance team and perform a detailed review of the processes in place to retain supporting evidence for financial reporting purposes. Retaining detailed evidence as transactions are reported should result in considerably less resource being required to support the audit and will ensure that the council meets the statutory requirement to retain suitable accounting records.</p>	<p>The Tandridge Finance Transformation programme has introduced a new approach to Corporate Finance, involving staff changes and significant support from Surrey County Council through the Joint Working Agreement.</p> <p>Management agree that the quality of working papers should improve in future, but this will be an ongoing process as much of 2021/22 accounts were produced under prior arrangements.</p>

# Your control environment and findings

## Control deficiencies and areas for management focus (continued)


(Reported previously in our report issued on 22<sup>nd</sup> of Nov 2023)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><b><u>Long outstanding debtors</u></b></p> <p>As part of review of the aged debtors in 2020/21, we noted that a total of £62,544 debtor balance has been outstanding for over 5 years. However, no substantial evidence was provided to precisely evidence the inclusion of these debtor balances in the provision calculation.</p> <p>This balance is still included in the financial statements for 2021/22. We have discussed with management and understand that prior year recommendation to provide for these would be included in 2022/23 statements.</p>	2021 Medium Control activities 	<p>In absence of the provision breakdown which reconcile back to debtor, there is a risk that management may be holding debtors that are not recoverable in their books.</p> <p>Management should develop a mechanism whereby they can identify specifically which debtors' balances are provided to ensure that adequate provision is made in the books.</p>	<p>Management agrees with the recommendation. We will review all debtor balances to ensure adequate provision is made in the accounts.</p> <p>Improvements will be implemented part way through 2022/23 accounts, so the 2021/22 statements show the same findings as in previous year.</p>

# Your control environment and findings

## Control deficiencies and areas for management focus (continued)

(Reported previously in our report issued on 22<sup>nd</sup> of Nov 2023)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><b><u>Completeness of related parties</u></b></p> <p>During the audit it has been identified that whilst Democratic Services maintain a full register of interests, a separate Finance-run process had been in place to capture details for the related party disclosure, which was incomplete. Whilst Members interests are captured and published, the existence of two processes mean that there is a risk that the related party disclosures is not complete.</p>	<p>2023 High Control activities</p> 	<p>It is recommended that the Finance team work with Democratic Services to complete a review of the process for register of interests along with the related party disclosure to confirm it is complete and accurate.</p> <p>In addition, it is recommended that the Audit Committee review the completed register of interests on an annual basis.</p>	<p>We agree with the recommendation.</p>



# Your control environment and findings

## Control deficiencies and areas for management focus (continued)

*(Reported previously but updated in this report)*

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><b><u>Misclassification</u></b></p> <p>During the audit, we identified the following instances of misclassified balances/transactions specified below:</p> <ul style="list-style-type: none"> <li>- Debits balances in income: We noted that the underlisted expense GL accounts had been netted off against grant income and were thus misclassified in the financial statements. These total to £196k, which were netted off through a cost centre code 234:</li> <li>- Vendor accounts with a net debit balance: We noted that vendor accounts with debit balance are included in the creditors amounting £491k.</li> <li>- Debit balance in deferred income: We noted a debit amount of £70k had been recorded as a deferred income.</li> <li>- Incorrect classification of grants received income code in expenditure amounting £3.16m</li> </ul>	<p>2022 Medium Control activities</p>	<p>Management should ensure that there is adequate review of workings supporting the financial records including a check if income and expenditure and debtors and creditors are appropriately classified, prior to reporting in the financial statements.</p>	<p>We agree with the recommendation. Improvements have been implemented as part of the 2022/23 statements and working papers.</p>




We have discussed these with the management and management agreed to correct these in the statement of accounts.

# Your control environment and findings

## Control deficiencies and areas for management focus (continued)

(Reported previously in our report issued on 22<sup>nd</sup> of Nov 2023)

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Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><b><u>Accumulated absence accrual difference</u></b></p> <p>We have noted a difference of £271k between the accumulated Absence Accrual balance(Account No:92809) presented in the draft financial statements and the provided supporting calculation.</p> <p>Management had reported a liability of £491k while the amount per the provided workings was £220k.</p> <p>We have discussed these with the management and management agreed to correct these in the statement of accounts.</p>	2022 Medium Control activities 	Management should ensure that there is adequate review of workings and that the balances reconcile to the underlying accounting records.	We agree with the recommendation. Improvements have been implemented as part of the 2022/23 statements and working papers.

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# Your control environment and findings

## Control deficiencies and areas for management focus (continued)


*(Reported previously but updated in this report)*

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><b><u>General Fund Assets (GF) and Housing Revenue Account (HRA) assets not revalued</u></b></p> <p>The Council's policy is to revalue the entire assets in its GF and HRA portfolio except for assets currently in their first year of use. However, we noted that some of these assets were omitted in valuation workings, though, they were eligible for revaluation under the policy.</p> <p>We have consulted with Deloitte Real Estate, where they suggested to use the Beacon value methodology and market review recommendation to assess the impact of revaluation for the assets not valued. This involves applying the value of the beacon value/archetype where these assets were categorised for HRA and apply the recommended movements as per market review report for GF.</p> <p>Following the suggested approach, we have noted a net valuation uplift of £55,583, which is not below our minimum threshold and hence we have included this as part of uncorrected misstatements.</p>	<p>2022 Medium Control activities</p> <p>!</p>	<p>We recommend management to compare their FAR register against the information being sent to valuer to ensure the accuracy and completeness of the asset valued.</p>	<p>Agreed and noted for future actions.</p>

# Your control environment and findings

## Control deficiencies and areas for management focus (continued)


*(New to this report - not previously reported)*

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><b><u>Fully utilized assets</u></b></p> <p>During the year, we noted that TDC has included intangible assets amounting £1.47m and property, plant, and equipment amounting to £5.1m in the cost and accumulated depreciation/amortization, despite these assets being fully utilized at the beginning and end of the year.</p> <p>It is essential to have a robust control procedure in place to ensure that assets that are no longer in use are promptly identified and written off from the books</p>	<p>2022 Medium Control activities</p> <p style="text-align: center;"></p>	<p>We recommend that TDC management should thoroughly review the inclusion of fully utilized intangible assets and property, plant, and equipment in the cost and accumulated depreciation/amortization. It is essential to ensure that only assets with ongoing utilization are included in the financial statements.</p> <p>We further recommend implementing robust controls and procedures to regularly assess and validate the usage of these assets.</p> <p>Additionally, management should establish a process for maintaining proper documentation to support the continued utilization of these assets.</p>	<p>Management have reviewed the inclusion of fully utilized assets. Management proposes to introduce a policy to remove intangible assets and property, plant and equipment when they are fully amortized/depreciated.</p>

# Your control environment and findings

## Control deficiencies and areas for management focus (continued)

*(New to this report - not previously reported)*


Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><b><u>Pension assets misstatement</u></b></p> <p>The auditors of the pension scheme (Surrey County Pension) of whom the TDC is part, have identified an understatement in the pension assets of £28 million due to timing differences. We have estimated the impact of this on the TDC's pension liability using the share of its assets within the entire fund's assets.</p> <p>While performing the audit procedures on the pension liabilities/assets, we noted that there was a reported error in level 3 investments of the Property Unit Trust and the Private Equity assets valuation of the Surrey Pension Funds amounting to £28m.</p> <p>We have estimated the impact of this on the TDC's pension liability using the share of its assets within the entire fund's assets, which calculated as £471k.</p> <p>Tandridge District Council's management considered this an estimation difference and has therefore, not adjusted the council accounts.</p>	<p>2022 Medium Control activities</p> 	<p>We recommend that management should devise a mechanism which would enable TDC management to track any unadjusted misstatements reported by the pension fund's auditor.</p> <p>This will enable management to evaluate unadjusted misstatements and determine whether the Council's financial statements need to be adjusted.</p>	<p>There is a mechanism to be able to track changes in the Pension Fund. The item in question is not a correction of an error. It was not deemed by the Pension Fund to be an error. Therefore, no adjustment was required, and no adjustment was made in the Pension Fund Accounts.</p> <p>These are private market investments which are not traded in the same way as quoted or pooled instruments. The valuation of these therefore takes some time to generate. Any adjustments are down to additional information obtained after the passage of time (sometimes several months) to the time of the audit. The IAS19/FRS102 accounting estimates would have been produced with the best available information at the time and therefore stand.</p>

# Your control environment and findings

## Control deficiencies and areas for management focus (continued)

*(New to this report - not previously reported)*

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Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><b><u>Bank reconciliation process</u></b></p> <p>During bank reconciliation testing, we had inspected the bank reconciliation for one of the HSBC accounts and noted a formula error which resulted in difference in reconciliation. Upon further investigation with TDC management, it was determined that the workings needed to be revised based on new approach adopted by management in respect of the reconciliation.</p>	2022 Medium Control activities 	We recommend that management devise a mechanism whereby management ensure the accuracy and completeness of the reconciling items and agreeing the reconciliation back to the GL and bank statement.	Management have devised a mechanism to ensure the accuracy and completeness of the reconciling items and agreeing the reconciliation back to the GL and bank statement. This reconciliation is included within the 2022/23 statements.

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# Your control environment and findings

## Control deficiencies and areas for management focus (continued)

*(New to this report - not previously reported)*

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Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><b><u>Other long term investments recoverability</u></b></p> <p>Based on our investment testing, we identified a listing of receivables amounting to £113k, representing housing repair loans given to tenants by TDC. According to management, these amounts are repayable once the houses are sold. However, despite our efforts to obtain supporting audit evidence, management was unable to provide any documentation to support the recoverability of these receivables.</p> <p>Management do not consider these to be material and have not corrected these in the statement of accounts. Therefore, we have included in this in the schedule of uncorrected misstatement.</p>	2022 Medium Control activities	We recommend that management undertake a thorough review of the housing repair loans and establish a process to obtain and maintain appropriate documentation to support the recoverability of these receivables.	Management have reviewed the Housing repair loans and the receivables have been reconciled to loans during 2022/23.

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# Your control environment and findings

## Control deficiencies and areas for management focus (continued)

*(New to this report - not previously reported)*

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><b><u>Creditors to be written back</u></b></p> <p>Based on our testing, we have identified several creditor account codes that have not shown any movement over 3 years. Upon inquiry, the client has informed us that no supporting documentation could be found for these creditors. Furthermore, management intends to write back these balances in the next year, indicating that they do not represent a liability. The total amount of these balances is £114,654.</p> <p>Management do not consider these to be material and have not corrected these in the statement of accounts. Therefore, we have included in this in the schedule of uncorrected misstatement.</p>	<p>2022 Medium Control activities</p> <p>!</p>	<p>Implementing controls to regularly review and reconcile creditor accounts will help prevent the accumulation of unsupported balances in the future</p>	<p>Agreed and noted for future.</p>



# Your control environment and findings

## Control deficiencies and areas for management focus (continued)

*(New to this report - not previously reported)*

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><b><u>AUC cost estimation error</u></b></p> <p>During our testing of property, plant, and equipment (PPE) and assets under construction (AUC), we selected a sample related to the Bronzoak project. The amount recorded in TDC's books for this sample was approximately £107k which was based on an estimate provided by the service department. However, the actual payment made in the 22-23 was £246k. We noted a difference of approximately £139k which is then projected to whole population and the total projected error amounted to £199k.</p> <p>Management do not consider these to be material and have not corrected these in the statement of accounts. Therefore, we have included in this in the schedule of uncorrected misstatement.</p>	<p>2022 Medium Control activities</p> <p>!</p>	<p>We recommend that management reviews the accrual process and ensures that accurate estimates are used to avoid significant differences between the accruals and actual payments.</p>	<p>Estimates are an approximate calculation or judgement at a particular point in time based on information available. Management always reviews the accrual processes to ensure that estimates are as accurate as possible.</p>

# Your control environment and findings

## Control deficiencies and areas for management focus (continued)


*(New to this report - not previously reported)*

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><b><u>Errors noted in account receivable testing</u></b></p> <p>During the testing of the account receivable, we noted errors in 4 of the samples. The total error was £11.6k out of the sampled amount of £455k. We are required by auditing standards to project the error on the whole population from where the samples were taken. The total population was £4.68m and projected error was £119k.</p>	<p>2022 Medium Control activities</p> <p>!</p>	<p>We recommend that management conducts a thorough review of the accounts receivable process, including the identification and rectification of any errors found. Implementing controls to prevent similar errors in the future will help maintain the integrity of the accounts receivable balances.</p>	<p>Management always reviews the account receivable process to ensure accounts receivable balances within the statements are robust.</p>

# Your control environment and findings

## Control deficiencies and areas for management focus (continued)

*(New to this report - not previously reported)*

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p>In respect of revaluation testing, we have involved our experts to carry out the valuation testing including accuracy of assumptions, methodology and valuation. While they have not identified any material misstatement in the valuations, they have noted few instances of process improvements, the details of which are already shared with management and summary is included here:</p> <p><u>Valuation Report Improvements:</u></p> <ol style="list-style-type: none"> <li>1. Include all terms of engagement in the final report.</li> <li>2. Address discrepancies between the valuer report and the work performed.</li> <li>3. Require confirmation in the Valuation Report regarding the relationship between Market Value and Current Value for operational assets.</li> <li>4. In the valuation report, reference the history of renewals and voids, as well as letting patterns for similar properties in the area.</li> <li>5. Recommend keeping documentary records of discussions between the Council and the external valuer.</li> <li>6. Request the valuer to identify specific risks associated with assets that may have a wider margin of reasonable judgment.</li> <li>7. Ensure clear identification of schedules summarizing reported values for valued assets in future reports.</li> </ol> <p><u>Valuation Process Improvements:</u></p> <ol style="list-style-type: none"> <li>1. Challenge the validity of an approach that generally applies to physical deterioration and obsolescence.</li> <li>2. Ensure valuations include commentary on material differences between Existing Use Value (EUV) and Market Value (MV) as required.</li> <li>3. Challenge the application of a uniform remaining useful life to all assets and components.</li> <li>4. Encourage valuers to consider leasing and sales transactions for comparable assets within the locality, rather than relying solely on external indices.</li> </ol>	<p>2022 Medium Control activities</p> <p></p>	<p>We recommend that management should review these findings and discuss it with valuer to implement these recommendations.</p>	<p>Management will engage with our external valuation experts to implement these recommendation where appropriate</p>

# Your control environment and findings

## Control deficiencies and areas for management focus (continued)

*(New to this report - not previously reported)*

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><b><u>Gryllus impairment</u></b></p> <p>During our investment testing, we identified that the investments in Gryllus Holdings Limited (GHL), a subsidiary, had not been impaired to the net asset value of GHL as of 31 March 2022, as stated in the audited financial statements. We noted a difference of £3.97m between the recorded value and the net asset value.</p> <p>Upon discussing this finding with management, they acknowledged the error and agreed to correct it in the statement of accounts.</p>	<p>2022 Medium Control activities</p> <p>!</p>	<p>We recommend that management should devise a mechanism to periodically review impairment of its assets and ensure all relevant assets are part of this activity.</p>	<p>Management do review impairment of its assets at year end. Management will ensure all assets are included in these reviews.</p>

# Your control environment and findings

## Control deficiencies and areas for management focus (continued)

*(New to this report - not previously reported)*

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><b><u>Valuation differences due to methodology</u></b></p> <p>We have identified the following differences, which have been noted through our expert review of the valuation report:</p> <p><b>a)</b> Leisure Pool &amp; Car Park, Oxted: The Valuer adopted 15% of the Gross Replacement Cost (GRC) and fees to calculate the external works, instead of adopting a percentage of the GRC and then calculating the fees based on the total of the GRC and external works. This resulted in an incorrect calculation, with £50,009 representing 1% of the gross value of the property.</p> <p><b>b)</b> Astlefield House, 1 – 5 Castlefield Road, Reigate. RH2 0SA: In the valuation notes, it is stated that the next rent review is due on 25 March 2024, which is 2.25 years after the valuation date. The passing rent of £822,325 p.a. was capitalized for 3 years before an increased reversionary rent of £847,000 p.a. was reflected. This resulted in a difference of £20k if the reversionary rent was applied.</p> <p>Management do not consider these to be material and have not corrected these in the statement of accounts. Therefore, we have included in this in the schedule of uncorrected misstatement.</p>	<p>2022 Medium Control activities</p> <p>!</p>	<p>We recommend that management should discuss these with valuer to consider these in future valuations.</p>	<p>Management reviews the valuations received and WHE provide explanations for movements. We rely on our external valuers to provide expert advice and valuations.</p>

# Your control environment and findings

## Control deficiencies and areas for management focus (continued)

(New to this report - not previously reported)


Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><b><u>Investment classification error</u></b></p> <p>During our review, we identified that certain investment funds were incorrectly classified as short-term investments, when they should have been classified as long-term investments for the UBS and Schroders funds, or as cash and cash equivalents for the CCLA PSDF.</p> <p>Upon inquiry with Treasury and reviewing email correspondence between Treasury and TDC's financial advisors, it became evident that the intention of these investments contradicted their short-term classification. This incorrect classification also applied to the prior year.</p> <p>Considering the materiality of the amounts involved, management has agreed to correct the classification in the current year's statement of accounts and restate the prior year's note to accurately reflect the correction.</p>	2022 Medium Control activities	We recommend that management should devise a mechanism where finance coordinate with treasury annual to understand the expected usage of the funds in future and intention to hold or withdraw these funds which enable them to properly classify these funds in statement of accounts.	Management will continue to work with our Treasury team to ensure all funds are properly classified.

# Your control environment and findings

## Control deficiencies and areas for management focus (continued)

*(New to this report - not previously reported)*

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Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><b><u>Overstatement of receipt in advance</u></b></p> <p>During our review, we discovered that certain advances were received after the year-end, despite being recorded as receipts in advance. Upon discussing this with management, it was revealed that some advances were mistakenly recorded based on invoices rather than actual receipt of payment. We asked management to investigate further, and they have identified a total of £411k in such instances. Management has agreed to rectify this error in the statement of accounts.</p>	2022 Medium Control activities 	We recommend that management should devise a mechanism where management review the recorded receipt in advance with the actual receipts to ensure the accuracy of reporting.	Management will review Receipts in Advance balances to ensure adequate provision is made in the accounts. This is a Balance Sheet disclosure error.

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# Your control environment and findings

## Control deficiencies and areas for management focus (continued)

*(New to this report - not previously reported)*

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Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><b><u>Write-off of investment property cost</u></b></p> <p>During our review, it was identified that the initial capitalised costs amounting £153k for the proposed purchase of the Hobbs Industrial Estate, an investment property, have not been appropriately written off despite the Council's decision to no longer pursue this purchase.</p> <p>Management do not consider these to be material and have not corrected these in the statement of accounts. Therefore, we have included in this in the schedule of uncorrected misstatement.</p>	2022 Medium Control activities 	We recommend that management should devise a mechanism where management periodically review the recorded cost against the projects and assess if any adjustments are needed.	As part of a review management became aware of this adjustment and this is reflected in the 2022/23 statements

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# Your control environment and findings

## Control deficiencies and areas for management focus (continued)


(New to this report - not previously reported)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><b><u>Journals posted with incomplete descriptions / line details</u></b></p> <p>During our testing of journal entries, we discovered 297 entries with inadequate or unclear wording regarding their purpose. Out of these, 215 entries had no descriptions at all, while the remaining entries were described using alphanumeric references that lacked clear context for understanding the underlying transactions.</p> <p>We have discussed this issue with management and obtained supporting evidence to verify the rationale behind few material journals. No issues noted for those tested.</p> <p>This finding raises the risk of multiple journal entries being recorded for the same transactions if entries are not properly and clearly described. Furthermore, the presence of unclear descriptions increases the risk of inappropriate or unapproved transactions being masked, potentially heightening the risk of fraud.</p>	<p>2022 Medium Control activities</p> <p>!</p>	<p>It is important to address this issue by implementing controls to ensure that journal entries are accurately and clearly described, providing transparency and reducing the risk of errors or fraudulent activities.</p>	<p>It was recognised during the 2020/21 audit that improvements would be implemented during 2022/23 and 2021/22 would record the same finding. Improvements continue to be implemented for both 2022/23 and 23/24 financial years</p>

# Your control environment and findings

## Control deficiencies and areas for management focus (continued)

*(New to this report - not previously reported)*

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><b><u>Error in HRA Debtor balance</u></b></p> <p>During our review, we discovered an error in the HRA debtor balance amounting to £316,770. The amount recorded in the general ledger (GL) was £369,836, which differed from the working provided for HRA debtors of £686,606.</p> <p>After discussing this issue with management, it was confirmed that the correct balance for HRA debtors is indeed £686,606. However, management has determined that this discrepancy is not material and has chosen not to correct it in the statement of accounts for FY21/22.</p> <p>As a result, we have included this uncorrected misstatement in the schedule of uncorrected misstatements.</p>	2022 Medium Control activities 	We recommend that management should devise a mechanism where management the balance used to compute the provision is reflective of the relevant GLs.	As part of a review management became aware of this adjustment and this is reflected in the 2022/23 statements, as such the HRA debtors report and the GL reconcile in 2022/23.

# Audit adjustments

## Adjusted misstatements

*(Reported previously but updated in this report)*

The following corrected misstatements have been identified up to the date of this report which management agreed to adjust it in the statement of accounts. These misstatements are TDC only and management should assess the impact on the group and reflect it.

	Debit/ (credit) income statement £000	Debit/ (credit) in net assets £000	Debit/ (credit) OCI/Equity £000	If applicable, control deficiency identified
<b>Misstatements identified in current year</b>				
Misclassification of expenditure	£196/(£196)	-	-	Page 9
Vendor accounts with net debit balance	-	£491/(£491)	-	Page 9
Grant income classification	£3,160/(£3,160)	-	-	Page 9
Incorrectly classified debtors	-	£70/(£70)	-	Page 9
Overprovision of accumulated leave balance	(£271)	£271	-	Page 10
Impairment of Gryllus investments (standalone accounts)	£3,970	(£3,970)	-	Page 20
Correcting classification of investments	-	£9,415/(£9,415)	-	Page 22
Overstatement of receipt in advance	-	£411/(£411)	-	Page 23
<b>Misstatements identified in prior years</b>				
Correcting classification of investments	-	£9,686/(£9,686)	-	Page 22
<b>Total</b>	<b>£3,699</b>	<b>(£3,699)</b>		

# Audit adjustments

## Unadjusted misstatements

*(Reported previously but updated in this report)*

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK). These misstatements are TDC only and management should assess the impact on the group and reflect it.

	Debit/ (credit) income statement £000	Debit/ (credit) in net assets £000	Debit/ (credit) OCI/Equity £000	Memorandum Debit/ (credit) General Fund £000	If applicable, control deficiency identified
<b>Misstatements identified in current year</b>					
Provision on long outstanding debt	£63	(£63)	-		Page 7
Understatement of pension assets	-	£471	(£471)		Page 13
Non-recoverable long-term investments	£113	(£113)	-		Page 15
Overstatement of the creditors	(£114)	£114	-		Page 16
Understatement of AUC accrual	£199	(£199)	-		Page 17
Projected error in account receivables	£119	(£119)	-		Page 18
Valuation methodology differences	-	£70	(£70)		Page 21
Write-off of investment property	£153	(£153)	-		Page 24
Error in HRA debtor balance	(£317)	£317			Page 26
<b>Total</b>	<b>£216</b>	<b>£325</b>	<b>(£541)</b>		



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